

House File 2401 - Introduced

HOUSE FILE 2401
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HF 2006)

A BILL FOR

1 An Act relating to the beginning farmer tax credit program,
2 including the agricultural assets transfer tax credit
3 and the custom farming contract tax credit, by extending
4 the carryover period, and including effective date and
5 retroactive applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

PAST VERSIONS OF THE AGRICULTURAL ASSETS TRANSFER TAX CREDIT

Section 1. APPLICABILITY OF CARRYOVER PROVISIONS.

1. This section shall apply, notwithstanding the directive to strike subsequent amendments to section 175.37, as provided in 2013 Iowa Acts, chapter 125, section 25, subsection 3.

2. A tax credit issued, awarded, or allowed to a taxpayer under section 175.37, Code 2013, that was first claimed in a tax year beginning on or after January 1, 2009, and ending by December 31, 2012, and that was in excess of the taxpayer's liability, may be credited to the tax liability of that taxpayer for the following ten tax years, beginning with the tax year the tax credit was first claimed, or until depleted, whichever is earlier.

3. The carryover provisions of this section shall continue to be effective until no longer applicable, included by application to tax years beginning on or after January 1, 2018.

Sec. 2. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 3. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to a tax credit first issued, awarded, or allowed to a taxpayer for a tax year beginning on or after January 1, 2009, and ending by December 31, 2012.

DIVISION II

CURRENT VERSION OF THE AGRICULTURAL ASSETS TRANSFER TAX

Sec. 4. Section 175.37, subsection 6, Code 2014, is amended to read as follows:

6. A tax credit in excess of the taxpayer's liability for the tax year may be credited to the tax liability for the following ~~five~~ ten years or until depleted, whichever is earlier. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer redeems the tax credit. A tax credit shall not be transferable to any other person other than the taxpayer's estate or trust upon the

1 taxpayer's death.

2 Sec. 5. APPLICABILITY OF CARRYOVER PROVISIONS.

3 1. This section shall apply, notwithstanding the directive
4 to strike subsequent amendments to section 175.37, as provided
5 in 2013 Iowa Acts, chapter 125, section 25, subsection 3.

6 2. A tax credit issued, awarded, or allowed to a taxpayer
7 under section 175.37, as enacted in 2013 Iowa Acts, chapter
8 125, division I, that was first claimed in a tax year beginning
9 on or after January 1, 2013, and ending by December 31, 2017,
10 that was in excess of the taxpayer's liability, may be credited
11 to the tax liability of that taxpayer for the following ten tax
12 years, beginning with the tax year the tax credit was first
13 claimed, or until depleted, whichever is earlier.

14 3. The carryover provisions of this section shall continue
15 to be effective until no longer applicable, including by
16 application to tax years beginning on or after January 1, 2018.

17 Sec. 6. EFFECTIVE UPON ENACTMENT. This division of this
18 Act, being deemed of immediate importance, takes effect upon
19 enactment.

20 Sec. 7. RETROACTIVE APPLICABILITY. This division of
21 this Act applies retroactively to a tax credit first issued,
22 awarded, or allowed to a taxpayer for a tax year beginning on
23 or after January 1, 2013, and ending by December 31, 2017.

24 DIVISION III

25 FUTURE VERSION OF THE AGRICULTURAL ASSETS TRANSFER TAX

26 Sec. 8. APPLICABILITY OF CARRYOVER PROVISIONS.

27 Upon the repeal of amendments to section 175.37, as enacted in
28 2013 Iowa Acts, chapter 125, section 25, the following shall
29 apply: Section 175.137, subsection 7, Code 2013, is amended by
30 striking the words "five years" and inserting in lieu thereof
31 the words "ten tax years".

32 Sec. 9. EFFECTIVE DATE. This division of this Act, takes
33 effect January 1, 2018.

34 Sec. 10. APPLICABILITY. This division of this Act applies
35 to tax years beginning on or after January 1, 2018.

DIVISION IV

CUSTOM FARMING CONTRACT TAX CREDIT

Sec. 11. Section 175.38, subsection 9, Code 2014, is amended to read as follows:

9. A custom farming contract tax credit in excess of the taxpayer's liability for the tax year may be credited to the tax liability for the following ~~five~~ ten tax years or until depleted, whichever is earlier. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer redeems the tax credit. A tax credit shall not be transferable to any other person other than the taxpayer's estate or trust upon the taxpayer's death.

Sec. 12. APPLICABILITY OF CARRYOVER PROVISIONS.

1. A tax credit issued, awarded, or allowed to a taxpayer under section 175.38, that was first claimed in a tax year beginning on or after January 1, 2013, and ending by December 31, 2017, that was in excess of the taxpayer's liability, may be credited to the tax liability of that taxpayer for the following ten tax years, beginning with the tax year the tax credit was first claimed, or until depleted, whichever is earlier.

2. The carryover provisions of this section shall continue to be effective until no longer applicable, including by application to tax years beginning on or after January 1, 2018.

Sec. 13. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 14. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to a tax credit first issued, awarded, or allowed to a taxpayer for a tax year beginning on or after January 1, 2013, and ending by December 31, 2017.

EXPLANATION

The inclusion of this explanation does not constitute agreement with the explanation's substance by the members of the general assembly.

BILL'S PROVISIONS — GENERAL. This bill extends from five

1 to 10 years the period when a taxpayer may carry over a tax credit under the agricultural assets transfer tax credit (Code section 175.37) and the custom farming contract tax credit (Code section 175.38). Both provisions are referred to as part of the beginning farmer tax credit program (Code section 175.36A). A tax credit carryover provision allows a taxpayer who has satisfied a tax liability in one tax year to save any unused amount of the tax credit for use in a subsequent tax year or tax years until no amount remains or a specific number of years has elapsed.

11 BILL'S PROVISIONS — AGRICULTURAL ASSETS TRANSFER TAX CREDIT. For the agricultural assets transfer tax credit, the bill allows the extended 10-year carryover period to apply to a taxpayer filing under three different versions of Code section 175.37: (1) a tax credit which was first claimed in a tax year beginning on or after January 1, 2009, and ending by December 31, 2012; (2) a tax credit which was or may be first claimed in a tax year beginning on or after January 1, 2013, and ending by December 31, 2017; and (3) a tax credit which may be first claimed on or after January 1, 2018. In each case, the taxpayer may continue to apply the remaining amount of a tax credit that was then applicable under Code section 175.37 for the following 10 tax years notwithstanding that the section may have been replaced by a subsequent version.

25 BILL'S PROVISIONS — CUSTOM FARMING CONTRACT TAX CREDIT. For the custom farming contract tax credit, the bill allows the extended 10-year carryover period to apply to a tax credit first claimed in a tax year beginning on or after January 1, 2013, and ending by December 31, 2017. The taxpayer may continue to use any remaining amount of the tax credit in future tax years, regardless of the fact that the tax credit is to be eliminated on December 31, 2017.

33 BILL'S PROVISIONS — APPLICABILITY AND EFFECTIVE DATES. The bill applies to each taxpayer differently depending on the version of the applicable law under which the taxpayer first

1 claimed the tax credit. It applies retroactively to the tax
2 year beginning January 1, 2009, for a taxpayer who claimed
3 an agricultural assets transfer tax credit under the first
4 version of Code section 175.37. It applies retroactively to
5 the tax year beginning January 1, 2013, for a taxpayer who
6 claimed the same tax credit under the second version of Code
7 section 175.37. It also applies retroactively to the tax year
8 beginning January 1, 2013, for a taxpayer who claimed a custom
9 farming contract tax credit. The bill applies prospectively
10 to a tax year beginning on and after January 1, 2018, for a
11 taxpayer who will claim a tax credit under the third version of
12 the agricultural assets transfer tax credit. Those provisions
13 applying retroactively take effect upon enactment. The
14 provision applying prospectively takes effect on January 1,
15 2018.

16 BACKGROUND. In 2006, the general assembly enacted SF 2268
17 (2006 Iowa Acts, chapter 1161) establishing an agricultural
18 assets transfer tax credit, administered by the agricultural
19 development authority, to assist beginning farmers to acquire
20 agricultural assets by lease or rental arrangements. In 2013,
21 the general assembly enacted HF 599 (2013 Iowa Acts, chapter
22 125), creating the program which included the second version
23 of the agricultural assets transfer tax credit and the new
24 custom farming contract tax credit. HF 599 also increased from
25 \$6 million to \$12 million the ceiling limit used to support
26 the program through the issuance of tax credit certificates
27 (Code section 175.39). The program and the dollar amount
28 limit applied retroactively to tax years beginning on or after
29 January 1, 2013, and is to expire on December 31, 2017. The
30 Code editor is directed to codify the third version of the Code
31 section by restoring the tax credit with its \$6 million ceiling
32 limit to that existing immediately prior to the enactment
33 of HF 599. The custom farming contract tax credit is to be
34 eliminated on that same date.